

**THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM  
MEETING OF THE BOARD OF DIRECTORS  
May 21, 2014**

**MINUTES**

**Present:**

Treasurer Young Boozer, Chair  
Dr. Greg Fitch  
Ms. Karen Gandy  
Mr. Lance Lachney for Dr. David Bronner  
Dr. Mark Heinrich  
Ms. Patti Lambert  
Dr. William Meehan  
Mr. Mark Sullivan

**Absent:**

Senator Roger Bedford  
Representative Craig Ford  
General Paul Hankins  
Dr. Richard Huckaby  
Mr. Bill Newton  
Mr. Jimmy Stubbs  
Ms. Gwen Webb

**Others present include:**

Ms. Daria Story, Assistant Treasurer  
Mr. Chad Wright, PACT Director  
Mr. Barry Bryant, Dahab Associates  
Ms. Brittany Matthews, Executive Assistant

**Agenda Item 1.**

Pursuant to written and public notice, the quarterly meeting of the Board of Directors of the PACT Program was held in the Board Room of the RSA Headquarters on May 21, 2014. The meeting was called to order by Chair Young Boozer at 1:10 p.m.

**Agenda Item 2.**

Roll was taken with a quorum present.

**Agenda Item 3.**

Chair Boozer presented the minutes of the February 19, 2014 board meeting. A motion for approval of the minutes as presented was made by Dr. Meehan, seconded by Mr. Sullivan, with unanimous approval.

**Agenda Item 4A.**

Chair Boozer asked Mr. Chad Wright for a program report. Mr. Wright provided information on program activities, cancellations, trust fund assets, and the budget. He stated several program mailings had taken place, including First Time in College letters and Beneficiary Eligibility letters. He reported that over \$31 million had been paid to various institutions for the spring 2014 term on behalf of nearly ten thousand beneficiaries. He then provided a 2 year summary of account cancellations and stated that the number of cancellations for 2014 was down approximately 25% from 2013 year to date.

**Agenda Item 4B.**

Chair Boozer asked Mr. Barry Bryant to provide the quarterly investment report. He provided a brief overview of the economy in general and stated that domestic stocks and bonds offered about the same returns, which is unusual. He stated that both the S&P 500 and the Barclays Aggregate returned 1.8% for the quarter. He stated that GDP increased at an anemic rate of 0.1% while unemployment remained steady at 6.7%. He provided a summary of portfolio and investment manager performance and stated that the total portfolio earned 0.6 % for the quarter, which ranked it in the 17<sup>th</sup> percentile. He stated that both managers, Mackay Shields and Longfellow, outperformed their benchmarks for the quarter. Mr. Bryant stated that the Mackay portfolio still maintained some longer term assets that were being held as an approved exception to the investment policy because selling them now would result in proceeds less than face value. So, those assets are being held as long as practically possible so that the return on the assets can be maximized. He stated that, according to policy, the entire portfolio must be transferred to short-term investments by the end of the year. Therefore, all remaining intermediate assets will be utilized for payment of upcoming tuition invoices in order to be in compliance.

**Agenda Item 4C.**

Chair Boozer provided information on the quarterly actuarial report. He stated that program assets as of March 31, 2014 were approximately \$187 million compared to \$231 million as of September 30, 2013. Chair Boozer stated that there was improvement in the funded ratio to 111% as of quarter end. He provided a summary of the projected cash flow and indicated that the only fiscal year with a projected deficit was FY2019, with a projected deficit of \$5.1 million. However, he stated that the good news was that the deficit continues to trend positively and that the deficit may be eliminated in future years. Chair Boozer stated that the negotiated settlement agreement indicated that the board should continue to monitor the program's financial position and approve increases in tuition payouts if possible.

**Agenda Item 5A.**

Chair Boozer called on Mr. Chad Wright to present information regarding two petitions from account owners requesting exceptions to PACT rules. Mr. Wright provided a brief summary of the petitions and stated that both requests had been presented to Treasury legal counsel and the Petition Advisory Council within the Board for review in accordance with program bylaws. He stated that the first request to pay a tuition invoice beyond the one year period allowed by the rules was recommended for approval by legal counsel. Dr. Fitch stated that he had concern over payment being made to the student and asked if the request were approved, would payment be made to the account owner or directly to the university. Mr. Wright stated that all payments are made directly to the university and that tuition benefits are not made directly to the student under any circumstance.

Mr. Wright stated that the second request to allow for a transfer of 21 semester hours to a substitute beneficiary, which is less than the 32 hours required in the rules, was recommended for declination by legal counsel. Mr. Sullivan inquired as to whether or not there would be any cash value remaining on this account in the event that the owner simply cancelled the account. Mr. Wright stated that there would not be because the

beneficiary had already received more in tuition benefits than what was paid in to purchase the account.

A motion to accept legal counsel recommendations to approve request one and decline request two was made by Dr. Meehan, seconded by Dr. Heinrich, with unanimous consent.

Chair Boozer then stated that the board was in transition as several board member appointments were expiring. He thanked board members for their support and service over the past four years. He then provided a summary of the members with expiring appointments that would be leaving the board. Ms. Gandy addressed the board and stated what a privilege it had been for her to serve with the other members. She stated that the board held a deep understanding of their purpose to represent and support the beneficiaries of the program and went on to say that she knew that the new members that had been appointed to the board would continue the work of the current board. Chair Boozer stated his appreciation for her words and for her dedication and service to the board. He then notified the board of the new members that would be serving beginning with the August meeting and provided biographies for each of them.

There being no further business to be discussed, a motion for adjournment was made by Dr. Heinrich, seconded by Mr. Sullivan, with unanimous approval. The meeting adjourned at 1:45 p.m.

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Chad Wright, Recording Secretary

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Young Boozer, Chair